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C O N F I D E N T I A L SECTION 01 OF 02 BAGHDAD 000805

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TAGS: [ECON](#) [EFIN](#) [ELAB](#) [PGOV](#) [IZ](#)
SUBJECT: PENSION REFORM IMPLEMENTATION ONGOING, REINSTATED
BA'ATHISTS' PENSIONS STILL UNCLEAR

REF: A. 07 BAGHDAD 3807 (PENSION VETO OVERRULED)
[1](#)B. 07 BAGHDAD 3749 (PC VETOES PENSION)
[1](#)C. 07 BAGHDAD 3557 (COR APPROVES PENSION REFORM)
[1](#)D. 07 BAGHDAD 2830 (PENSION UPDATE)

Classified By: Economic Minister Charles P. Ries for reasons 1.4 (b) and (d)

[1](#)1. (C) Begin Summary: Ali Awayed Abbas, head of the Pension Reform Steering Committee and Director General for the State Pension Department, told Econoffs March 13 that the first pension payments incorporating the new benefit formula as outlined in the pension amendment passed by the Council of Representatives in late 2007 were disbursed in February 2008. Awayed clarified that the new pension fund was gradually taking shape as work to populate a database with information on all contributors to the fund continues. In the interim, the Ministry of Finance is clearing pension payments for new pensioners from government matching contributions. Awayed downplayed the issue of reinstated pensions for former Ba'ath party members, claiming that the number affected was minuscule, but promised to look into the issue at our urging. End Summary.

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Implementation Status Update
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[1](#)2. (SBU) The First Amendment to the Unified Retirement Law was published in the Iraqi Official Gazette on December 27, [1](#)2007. The law is noteworthy because it creates a fiscally sustainable pension fund and bases pension benefits on years of service, including during the previous regime. Additionally, the law stipulates pension eligibility for all public sector employees irrespective of previous membership in the Ba'ath party. The law divides pensioners into two categories: pensioners who retired prior to January 17, 2006 (the date that the original law was to go into effect -- for additional background, see refel D) and those who applied for retirement after that date.

[1](#)3. (C) Awayed said that pensioners falling into the first category received their first pension payment according to the new benefits calculation formula in February 2008. The new fund account into which all public sector employees' contributions are to be deposited has been opened at the Rasheed Bank, Awayed added, noting that his office, the State Pension Department within the Ministry of Finance, was working to finalize a database with information on all contributors to the fund. While pension benefits for all retirees who took retirement after January 17, 2006 should be paid from this account, Awayed explained that the Ministry of Finance is diverting a portion of the monies earmarked to cover the government's 12 percent contribution to the pension fund to make current payments for this group. The balance of the 12 percent is deposited into the fund account. Pension payments are made on a bimonthly basis, and Awayed specified that, in order to minimize the strain on banks, the 1.77

million pensioners were split into two groups, and their payments were staggered (i.e. one group receives pension payments during odd months, and the other during even months).

14. (C) Awayed clarified that the fund would take a one-off loss because the law made pension contributions retroactive to January 17, 2006. At that time, contribution rates varied from 1-10 percent of an employee's salary depending on the grade of the employee. The new law stipulates that employee contributions regardless of grade should be 7 percent (with the government responsible for an additional 12 percent). Instead of forcing those employees whose contribution rates were previously below the 7 percent mark to cover their obligations to the pension fund for contributions from 2006 through the end of 2007, the State Pension Department decided that the fund would simply absorb the loss. The new contribution rates became effective as of the first pay period in 2008, he added. Awayed promised to provide us the State Pension Department's calculations of the fiscal impact of the loss, which he implied would be minimal. According to Awayed, employees whose previous contribution rate exceeded the 7 percent mark would receive no additional pension credits. Awayed said that the government's obligation to the fund had been settled for fiscal year 2007, and that negotiations were ongoing for fiscal year 2006.

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Fate of Reinstated Ba'athists' Pensions Unclear
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15. (C) When asked about the fate of former Ba'ath party members whose pensions were recently reinstated upon publication of the Accountability and Justice law (or Deba'athification) on February 14, Awayed claimed that the

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number affected was miniscule. He explained that employees of so-called dissolved entities who were eligible to apply for pensions were largely already being served. When Econoffs pressed, noting that the mechanism for reinstated former Ba'athists to acquire necessary paperwork as part of the pension application process was unclear, Awayed promised to look into the matter.

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Procedures for Iraqis Abroad
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16. (C) In response to a question regarding the method pensioners resident outside of Iraq receive their pension benefits, Awayed explained that such individuals are subject to a requirement to attest annually that they are still living by appearing before an Iraqi consular official. This requirement also applies to domestic resident retirees, who are required to appear before a pension officer or before an Iraqi notary public on an annual basis. Due to the continued lack of a core banking system at the two largest state-owned banks, Rafidain and Rasheed, pensioners abroad incur significant costs to receive pension payments.

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Kurdish Pensions Problematic
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17. (C) Awayed complained that employees from the Kurdistan Regional Government (KRG) were contributing to a separate, independent pension system, significantly complicating the State Pension Department's work. Citing examples of Kurdish members of the Federal Council of Representatives applying for pensions from the central government, Awayed predicted a complicated problem on the horizon, in the absence of a resolution in the near term, for the treatment of pensions for employees who transfer from the KRG to the central government or vice versa. Awayed urged the merging of the KRG and central government pension funds in accordance with the law.

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Reconciliation: A Request for Assistance
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18. (C) Awayed brought to our attention the plight of the families of pension-eligible detainees in Camp Bucca, near the port of Umm Qasr. According to Awayed, many such families would be eligible to receive pensions, but the families were unable to provide the requisite documents to prove eligibility, namely a power of attorney ('wakala' in Arabic). He claimed that the State Pension Department had no choice but to reject claims using fraudulent powers of attorney, but asked for our help in facilitating the visit of Iraqi notaries public to the detainee facility for the express purpose of proving pension eligibility for families of detainees. Awayed stated this was both a humanitarian as well as security issue because many of these families were so poverty-stricken that they were vulnerable to exploitation by terrorists.

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Comment
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19. (C) We will be following up with MNF-I's TF-134 (responsible for detainee operations) on Awayed's request for facilitating Iraqi notaries public visits to detainees. Awayed also requested our assistance in recovering documents that were seized by the Coalition in order to calculate with a greater degree of accuracy the pension benefits for former employees of dissolved entities. Awayed recognized that the documents he requested were highly sensitive, but, in the absence of any evidence to the contrary, we are impressed with Awayed's professional commitment. He exhibits genuine attention to detail we do not encounter on a regular basis from Iraqi interlocutors. We will continue to monitor ongoing pension reform implementation efforts, both with an eye on its fiscal sustainability as well as its potential for political reconciliation. End Comment.
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